

Message Text

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ACTION EUR-25

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5817

INFO USMISSION GENEVA

C O N F I D E N T I A L PRAGUE 0363

GENEVA FOR AMBASSADOR SHERER

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ, US

SUBJECT: CLAIMS NEGOTIATIONS--SESSION 15

REF: (A) PRAGUE 298; (B) STATE 22581; (C) STATE 15861;
(D) PRAGUE 0070

1. BEGIN SUMMARY. AT 15TH SESSION CZECH DELEGATION AGREED TO DROP ITS INSISTENCE ON LINKING LUMP-SUM PAYMENTS TO RETURN OF MFN TO CSSR, TO INCREASE INITIAL PAYMENT TO \$4 MILLION UPON RECEIPT OF GOLD, AND TO PAY \$20 MILLION IN LUMP-SUM SETTLEMENT. THEY ALSO PRESENTED CZECH POSITION ON OTHER OUTSTANDING QUESTIONS--TERMS OF PAYMENT, PAYMENT ACCELERATOR CLAUSE, AND SURPLUS PROPERTY DEBT--AND PROPOSED THAT DELEGATIONS BEGIN DRAFTING AT NEXT SESSION. END SUMMARY.

2. CHARGE OPENED FEBRUARY 20 NEGOTIATING SESSION WITH RESTATEMENT, AT CZECH REQUEST, OF US POSITION ON MFN AND RETURN OF GOLD/FIRST PAYMENT AS TRANSMITTED IN REFTELS (B) AND (C) AND AS PREVIOUSLY PRESENTED BY AMBASSADOR SHERER TO FOREIGN MINISTER CHNOUPEK.

3. AFTER SAYING THAT PROPOSALS REPRESENTED A FUTHER
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DETERIORATION OF CONDITIONS FOR CZECH SIDE, HEAD OF CZECH

DELEGATION (ZANTOVSKY) SAID THAT CZECH GOVERNMENT HAD MADE PAINFUL DECISION TO WITHDRAW ITS CONDITION THAT PAYMENTS UNDER AGREEMENT BE LINKED TO RETURN OF MFN TO CSSR IN VIEW OF USG PROBLEMS WITH CONGRESS. HE HOPED THAT US WOULD SEE SIGNIFICANCE OF CZECH CONCESSION WHICH WAS MADE IN INTEREST OF DEVELOPING RELATIONS WITH US. HE THEN SAID THAT CZECHS WOULD ALSO AGREE TO INCREASE INITIAL PAYMENT OF LUMP-SUM SETTLEMENT TO \$4 MILLION. THERE REMAINED, HOWEVER, FIVE UNRESOLVED QUESTIONS ON WHICH CZECHS HOPED US WOULD BE ABLE TO MEET CZECH REQUIREMENTS:

(A) AGREEMENT SHOULD ENTER INTO FORCE ON DAY CSSR RECEIVES GOLD. (ZANTOVSKY DID NOT EXPRESS PREFERENCE BETWEEN TWO ALTERNATIVE METHODS OF DELIVERY OF GOLD PRESENTED IN REFTEL (B).

(B) CZECH WOULD AGREE TO PAY LUMP SUM BASED ON 40 PERCENT OF ADJUDICATED VALUE OF CLAIMS (\$72.6 MILLION).

(C) REMAINDER OF LUMP SUM AFTER INITIAL PAYMENT SHOULD BE PAID IN 15 EQUAL ANNUAL INSTALLMENTS.

(D) ACCELERATION OF PAYMENTS ACCORDING TO LEVEL OF TRADE, AS PREVIOUSLY PROPOSED BY CZECHS, SHOULD BEGIN AFTER RETURN OF MFN TO CSSR; AND

(E) US SHOULD RE-EXAMINE CZECH PROPOSAL TO PAY SURPLUS PROPERTY DEBT IN CROWNS WITH ADDITION THAT CZECHS WOULD CREATE CONDITIONS FOR USE OF THESE FUNDS IN CSSR, SPECIFICALLY TO BUY RESIDENTIAL PROPERTY.

4. SINCE CZECHS WERE ACCEPTING US PROPOSALS, ZANTOVSKY SAID THAT HE WOULD LIKE TO MOVE TO CONCRETE FORMULATION OF AGREEMENT WITH MR. KWIASTEK'S ASSISTANCE AT NEXT MEETING. IN THIS CONNECTION HE AGAIN ASKED THAT US DELEGATION PROVIDE INFORMATION ON PROCEDURES OF TRIPARTITE GOLD COMMISSION SO THAT CZECHS COULD HAVE THIS INFORMATION WHEN THEY BEGAN WORK ON DRAFTING. NOTING THAT CZECHS HAD RESPONDED RAPIDLY AND POSITIVELY TO US PROPOSALS BECAUSE THEY WISHED TO CONCLUDE AGREEMENT RAPIDLY, HE SAID THAT CZECHS WANTED TO BELIEVE THAT US WAS NOT ATTEMPTING TO SQUEEZE OUT OF THEM CONCESSIONS WHICH WOULD NOT BE ANSWERED BY OTHER SIDE.

5. CHARG'E REPLIED THAT CZECH DECISION TO DROP MFN CONNECTION WAS CONSTRUCTIVE AND IMPORTANT STEP FOR NEGOTIATIONS. US PRO-CONFIDENTIAL

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POSALS WERE NOT, HE SAID, FORMULATED TO MAXIMIZE US ADVANTAGE BUT WERE MINIMUM POSITIONS ACCEPTABLE TO USG AND TO CLAIMANTS WHICH IT REPRESENTED. CHARG'E SAID HE WOULD REFER CZECH PROPOSALS TO USG IN TERMS OF QUESTIONS TO BE RESOLVED IN CONCLUDING AGREEMENT AND WOULD REPORT CZECH PROPOSAL TO PROCEED TO DRAFTING OF AGREEMENT.

6. REQUEST THAT DEPARTMENT PROVIDE BY TELEGRAM SCENARIO FOR

TRANSFER OF GOLD FROM TRIPARTITE GOLD COMMISSION TO CZECHS,
BOTH DIRECTLY AND THROUGH ESCROW ARRANGEMENT WITH SWISS BANK.
ANY PROCEDURES OR DOCUMENTARY REQUIREMENTS WHICH DIFFER FROM
THOSE SPECIFIED IN ABORTED 1964 AGREEMENT WOULD BE OF SPECIAL
INTEREST TO CZECHS.
WORTZEL

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Message Attributes

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